REAL

PROPERTY PEOPLE GROWTH

RIOCAN ANNUAL REPORT 2000

RIO CAN

RioCan Real Estate Investment Trust

RIOCAN

PROFILE

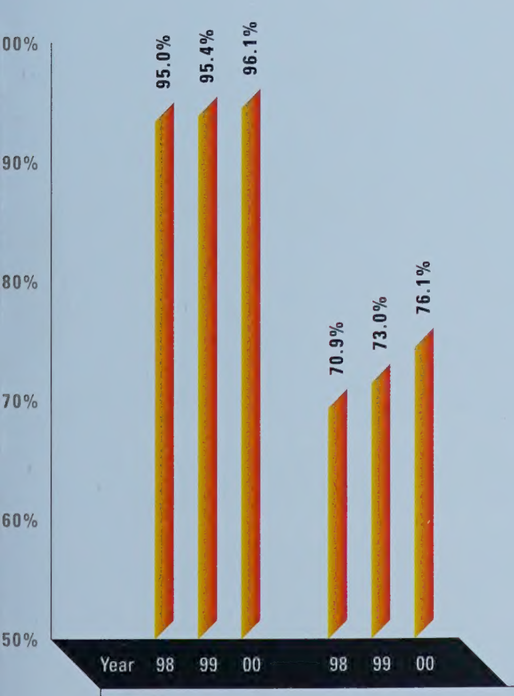
RioCan's purpose is to deliver to its unitholders stable and reliable cash distributions, which continuously increase over time.

A real brand for the real world. RioCan is the leading landlord of neighbourhood community shopping centres and New Format retail. RioCan has achieved real growth, created by real people managing Canada's largest portfolio of retail real estate.

Table of Contents

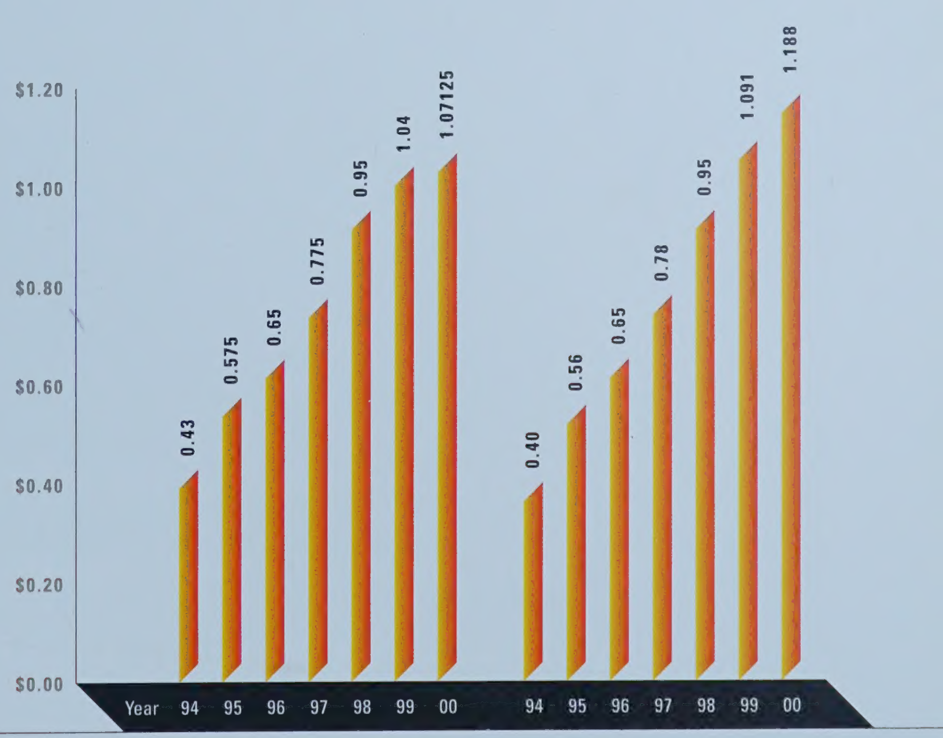
Financial Highlights

For the years ended December 31	2000	1999
INCOME STATEMENT		
Rental revenue	**$ 301,394,000**	$ 230,409,000
Net earnings	**$ 121,814,000**	$ 102,675,000
Distributable income	**$ 156,205,000**	$ 112,676,000
Distributable income per unit	**$ 1.188**	$ 1.091
Distributions to unitholders	**$ 141,137,000**	$ 107,968,000
Distributions per unit	**$ 1.07125**	$ 1.04000
BALANCE SHEET		
Total assets	**$ 2,414,514,000**	$ 2,161,152,000
Unitholders' equity	**$ 1,160,517,000**	$ 1,009,542,000
Units outstanding:		
Weighted average for the year	**131,150,000**	103,238,000
As at December 31	**141,773,000**	121,815,000



Total Portfolio Occupancy

National & Anchor Tenants
(as % of Gross Revenue)



Distributions
(per unit)

Distributable Income
(per unit)

REAL RIOCAN

Edward Sonshine, Q.C.

President and Chief Executive Officer

2000 was another year of real achievement for RioCan. We once again reached record levels in cash flow and distributable income.

RioCan is Canada's largest REIT, with a dominating presence in the country's leading markets and retail formats. This is RioCan's seventh annual report. In each previous edition, it was my pleasure to report that your REIT had achieved exceptional performance. 2000 was equally exceptional. In every measurable way, it was our best year ever and a preview of many more to come.

This year we are highlighting the real values of RioCan – specifically, *real property*, *real people* and *real growth* – because these are the intrinsic values that have allowed us to become Canada's largest real estate investment trust, to continually build value and increase cash flow, to constantly reward our stakeholders for their commitment to our Trust, and to consistently achieve record results. But there is a vital foundation to all that we have achieved and to our future success – and it is this that I wish to focus on in this letter.

That strong foundation is *quality*.

THE REAL QUALITY OF OUR VISION

RioCan has enjoyed *real* success and *real* growth by focusing on the acquisition, development and management of *quality* retail properties that deliver immediate returns and the potential for enhanced cash flow over the long term. The objective is always to achieve the maximum potential for each property in its market... and to keep it at that level for as long as we own it.

THE REAL QUALITY OF OUR LOCATIONS

Each of the 134 retail properties in our portfolio is strategically located for maximum reliability and returns in Canada's most stable yet highest-growth markets – with a special focus on Ontario and Alberta, which together account for 81% of our portfolio.

As evidence of our ability to quickly access and dominate markets, one need only look at the Greater Toronto Area (GTA). Since 1997, our portfolio presence in the GTA has grown substantially from 15.9% of revenue to 26.1%. Some of these GTA acquisitions – Empress Walk, Kennedy Commons, Festival Hall – and developments – RioCan Colossus Centre, Trinity Common – are the pre-eminent retail centres in areas with the strongest economic and demographic growth. And each is a high-return example of our focus on long-term cash flow with their high proportion of national tenants.

THE REAL QUALITY OF OUR INDUSTRY KNOWLEDGE

The recent explosion in technologically based retail initiatives caused great excitement – at least initially. However, subsequent events and our own experience have confirmed our belief that, well into the new millennium, nothing will challenge bricks and mortar retailing.

In its most essential form, retailing has been with us since the Souks first introduced the concept of exchanging goods for profit thousands of years ago – and the communal marketplace continues as the most personal, important and cost-effective method of retailer/consumer interaction. Yes, the shape of our communal marketplaces has evolved – in the last decade, no "traditional" covered malls were built in Canada – but New Format centres are booming. And yes, the economics of the marketplace dictate that certain retailers will come and go. Yet retail will always be a strong business capable of delivering *real* cash flow. But it takes deep, broad and current industry knowledge and acumen to maintain a *real* leadership edge of the sort RioCan enjoys. We truly know the retail real estate market – as it is today and as it will be tomorrow.

For example, your Trust was well ahead of the industry in recognizing the "Big Box" boom and, as a consequence, we are now Canada's largest owner of New Format centres. Our New Format properties are the destinations of choice for Canada's most successful large-scale retailers such as Winners, Danier and Business Depot, as well as other retailers such as The Body Shop, Black's Camera and Bowrings and other forward-thinking retailers that are expanding their operations into New Format properties. Why do they come to us first? Simply because they value the dominating power of our locations. In fact, we are in the enviable position of having a line-up of retailers waiting to become RioCan tenants – and our pre-eminent position is continually feeding cash flow. For example, the final phases of RioCan Colossus Centre and Trinity Common Brampton are both achieving rents that are 25%–30% higher than the first phases. This will create significant future growth as earlier leases are renewed at higher rates.

THE REAL QUALITY OF OUR TENANTS

RioCan enjoys assured cash flow from quality tenants on long-term leases. Among our 3,000 tenants, over 76% of our gross revenue is derived from national and anchor tenants – with Wal-Mart now at the top of this list. As Wal-Mart has expanded its market position in Canada, our focus on increasing their portion of our revenue base grew. At the end of 1998 they represented 2.6% of our gross revenue and today they represent 6.2%. This speaks well to both the quality and diversity of our prime revenue source – and underscores our commitment to maintaining a strong cash flow that increases unitholder value.

We are not new converts to a commitment to the quality and diversity of our revenue base. At the end of 1998 the percentage of our gross revenue derived from national and anchor tenants was 71%, which grew to 73% by the end of 1999, and is now approaching 77% in 2001. In fact, our top 25 revenue sources are all household names and account for almost one half of our gross revenue. The strength and diversity of our tenant base is our best assurance of riding through any economic rough patches we encounter.

THE R E A L QUALITY OF OUR RELATIONSHIPS

The strength of RioCan's tenants and our relationships with them delivers a competitive edge. It helps keep our properties leased and provides us with direct access to the kind of *on-the-ground* market intelligence that leads to successful acquisitions and/or developments in the markets most desired by pre-eminent retailers.

It is to further strengthen relationships, as well as to become more efficient and economical, that we made the decision this past year to internalize property management. This new function will become operational by the third quarter of 2001 and its impact will be discussed in more detail in next year's annual report.

THE R E A L QUALITY OF OUR FINANCIAL POSITION

The *quality* of RioCan's leading position in the Canadian retail real estate market extends beyond the readily apparent quality of our portfolio and operational strategies – and into the quality of our financial position. In 2000, your Trust had an interest coverage ratio of 2.9. In other words, RioCan earns almost $3.00 for every $1.00 of interest we are required to pay out. That is more than double the average ratio of real estate companies of a decade ago and significantly higher than our competitors. As in every other aspect of our business, we take debt management seriously so as to secure a *quality* financial future for your REIT as we grow into the new millennium.

THE R E A L QUALITY OF OUR FUTURE

In the past seven years, our distributions per unit have grown by almost 150% from $0.43 in 1994 to $1.07 in 2000. We achieved this while at the same time reducing the percentage of our total distributable income actually distributed to 90%, a goal we set two years ago. Now, that is *real* quality – and our *real* growth in future cash flow, distributions and revenue is assured by the *quality* or our properties, locations, tenants and people.

My thanks to our Board of Trustees and the RioCan professionals who are the *real* basis for our success. I am confident their *real* contributions will ensure that RioCan always maintains its industry leadership in *real* value creation and *quality* returns.

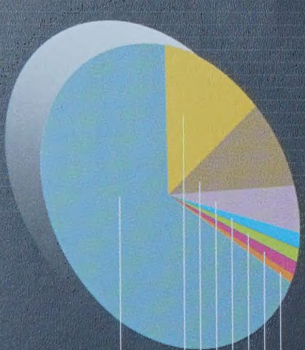
Edward Sonshine, Q.C.
President and Chief Executive Officer
RioCan Real Estate Investment Trust
March 31, 2001

REAL GROWTH

RIOCAN PROPERTIES

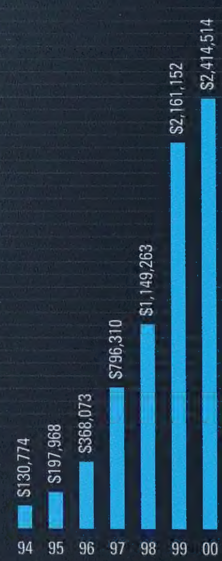
TOP SOURCES OF REVENUE BY TENANT

WAL-MART	5.7%
A&P	5.7%
ZELLERS	5.5%
FAMOUS PLAYERS	5.0%
LOBLAWS CO.	3.7%
MÉTRO-RICHELIEU	3.0%
SHOPPERS DRUG MART	1.8%
STAPLES	1.6%
SAFEWAY	1.5%
CHAPTERS	1.5%
TOTAL	35.0%



Ontario	68.6%
Alberta	12.0%
Quebec	8.8%
Saskatchewan	4.9%
British Columbia	1.7%
PEI	1.5%
New Brunswick	1.5%
Manitoba	1.0%

GEOGRAPHIC DISTRIBUTION BASED ON REVENUE



TOTAL ASSETS ($ THOUSANDS)

RioCan has acquired or developed a remarkable portfolio of the best retail real estate in Canada – dominant, meticulously selected properties invariably obtained for less than replacement cost. On this foundation of quality we build value through the application of our industry knowledge and strategy of *very* active management. The result is real growth of the most tangible kind: enhanced returns and distributions over the long term.

RioCan Is Real Performance Year After Year

RioCan's numbers paint a picture of perpetual success. That is because we select and aggressively manage each property for assured performance over the long term. That is because our shopping centres boast the strongest retail chains and brands, all secured by long-term leases and tenant/management relationships that are the envy of the industry. That is because our industry-leading size and the quality of our properties have made RioCan the landlord of choice for retailers wishing to expand and those seeking the most powerful entry into the Canadian market. That is because we have an unparalleled in-house reservoir of retail real estate knowledge and expertise that invariably pinpoints dominant sites, acquires and/or develops them at below market costs, and keeps us at the forefront of retailing formats and trends. And that is because we have the vision, strategies and will to perpetuate our growth deep into the new millennium.

That is our *real* promise to every RioCan stakeholder – and it is a promise *real*ized in every year of our existence, including a remarkable fiscal 2000.

Growth in Total Assets

In the seven years since RioCan began, we have grown by over 2,000% in asset size and have grown our distributable income by 3,800%. We are Canada's largest REIT and the third largest publicly traded real estate entity in the country.

Geographic Distribution

RioCan owns properties in Canada's strongest markets – with a particular focus on Ontario and Alberta, the country's leading markets and the engines of Canada's economy. RioCan specializes in owning and managing community-oriented neighbourhood shopping centres anchored by supermarkets and other national retailers. We have also become the nation's dominant owner of New Format retail shopping centres.

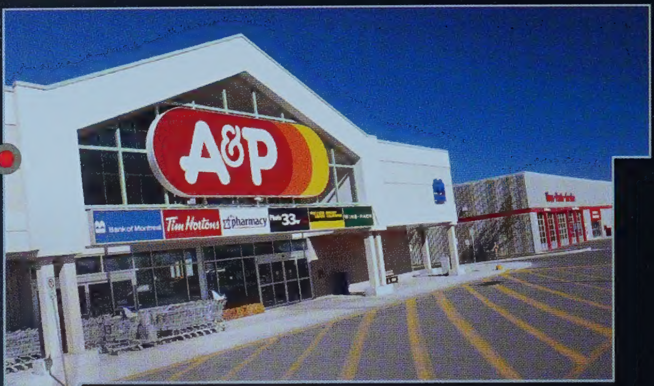
Tenant Percentage of Revenue

RioCan's top 25 retail tenants account for 48% of gross revenue and include the Who's Who of Canadian retailing, with no single tenant contributing more than 5.7%. That tenant is Wal-Mart and we have grown with Wal-Mart as they have assumed market dominance in their retail sector.

RioCan's Top 25 Retailers

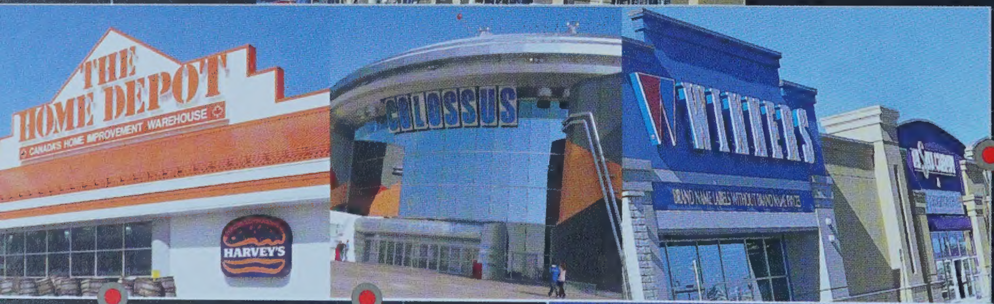
Wal-Mart
A&P
Zellers
Famous Players
Loblaws Co.
Métro-Richelieu
Shoppers Drug Mart
Staples
Safeway
Chapters
Winners
Canadian Tire
Mark's Work Wearhouse
Reitmans
Sobeys
Future Shop
TD Bank
Sears
Bank of Nova Scotia
Dylex
Forzani's
Rogers Video
Petsmart
London Drugs
Cara Foods

REAL PROPERTY

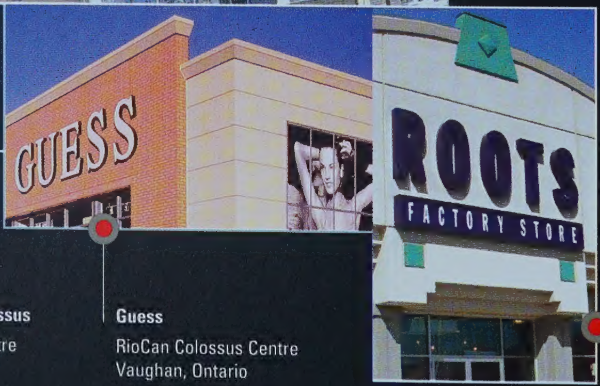


A&P
Trinity Common
Brampton, Ontario

Bowrings, Stitches, Reebok, Moores
Trinity Common
Brampton, Ontario



Winners, The Shoe Company
Trinity Common
Brampton, Ontario



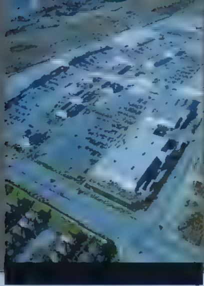
The Home Depot
Trinity Common
Brampton, Ontario

Famous Players Colossus
RioCan Colossus Centre
Vaughan, Ontario

Guess
RioCan Colossus Centre
Vaughan, Ontario

Roots
RioCan Colossus Centre
Vaughan, Ontario

90% national tenants in New Format Retail Centres
Vision is the ability to see the future of retail real estate and act on it today. Our New Format centres are leased to Canada's leading national retailers.



Trinity Common
Brampton, Ontario

More than 100 million consumers visit our shopping centres annually – and millions more will be making our properties their retail destinations of choice in the years to come. In addition to actively managing each property for maximum long-term returns, RioCan is unique among REITs in having the financial resources and in-house expertise to develop properties at the leading edge of retail formats in extremely desirable markets that are beyond the financial means of others in the industry.

Dominant Locations and Retail Formats

RioCan is Canada's largest landlord of neighbourhood shopping centres and, while we will always maintain our focus on this rock-solid foundation, RioCan has also rapidly become the country's largest landlord of the latest and most attractive form of retailing: New Format Centres.

Trinity Common – the largest retail centre built in Canada in over a decade

Trinity Common stands as a prime example of why RioCan is leading the industry in the exploding world of New Format Retail. Located at the nexus of a major and rapidly growing market – the intersection of Highway 410 and Bovaird Drive in Brampton, Ontario – Phase 1 of Trinity Common was completed from ground-breaking to opening in less than a year. The property was 92% pre-leased to more than 40 national retailers and is home to five strong anchors including A&P, Zellers, Home Depot, Canadian Tire and Famous Players. With the recent completion of Phase II, Trinity Common is now comprised of 925,000 square feet of retail, with 94.6% of gross revenue deriving from anchor and national tenants including Winners, Business Depot, Future Shop, Mark's Work Wearhouse, Danier, Pier 1 – many featuring store concepts that are unique in their portfolio.

Trinity Common has been a success since its inception. And less than a year later, its second phase is achieving rents that are 30% greater than its first phase – compelling bottom line evidence of assured future income growth.

RioCan Colossus Centre – dominating one of the busiest intersections in the Greater Toronto Area

In a competitive retail environment, it takes financial strength and unerring vision to succeed. Combine these two attributes and the result is RioCan Colossus Centre. Located at the leading edge of retail concepts, and dominating the GTA's fastest-growing high-traffic area at highways 400, 7 and 407, this New Format centre was 100% pre-leased before construction began and its second phase is achieving rents that are 25% higher than its first phase.

RioCan Colossus Centre receives 93% of its gross revenue from an uncommonly powerful line-up of anchor and national tenants, most of whom normally choose enclosed centres but made the profitable decision to be a part of the Colossus retail power house, including: Club Monaco, Roots, Tristan, Guess, MEXX, Cotton Ginny, Jacob, Shoe Company, Bowrings, Talbots and Bombay. For many retailers, RioCan Colossus Centre is their strongest location. This assurance of quality in property, location and returns is why so many retailers put us first in their expansion plans. It is why both Fossil and The Body Shop have selected RioCan Colossus Centre as their first-ever Canadian "New Format" location. And it is why Costco, Revy and Famous Players – although not our tenants – were so confident in the success of RioCan Colossus Centre, they constructed major facilities on the site.

PROPERTY

Dominion
Kennedy Commons
Toronto, Ontario

Mikasa
RioCan Signal Hill Centre
Calgary, Alberta

Pier 1 Imports
RioCan Signal Hill Centre
Calgary, Alberta

The Brick
Kennedy Commons
Toronto, Ontario

Jacob
RioCan Signal Hill Centre
Calgary, Alberta

Radio Shack, Sport Mart
RioCan Signal Hill Centre
Calgary, Alberta

Danier
RioCan Signal Hill Centre
Calgary, Alberta

RioCan Signal Hill Centre
Calgary, Alberta

81% of RioCan's properties in Canada's strongest markets
RioCan selects properties that will perform over the long term. Our selection criteria is meticulous – based on the location of the property, the quality and stability of tenants, the rate of immediate return, and the potential for increasing cash flow through active asset management and expansion.

RioCan's properties can be found in prime locations across Canada – with strong concentrations in the markets that are the engines of our country's economy, Calgary and the Greater Toronto Area. Our growth was spurred by a focus on neighbourhood shopping centres, invariably anchored by a food store, because these are the types of centres that are inextricably woven into the lives of the people who live nearby.

Developing an Assured Future

Each of RioCan's New Format properties is pre-eminent in its market and features premium-quality facilities, a strong mix of national tenants and value-added management. And even though our New Format centres are at the forefront of consumer trends – such as the migration from department store to specialty and discount store shopping and the inclusion of a large entertainment component – most are anchored by a large food store. Because we know from our neighbourhood shopping centre experience and success that, regardless of today's retailing trends, people will always need groceries. No other REIT combines the realities of the retail experience with the vast potential of quality properties, locations and retailing concepts like RioCan does.

RioCan Signal Hill Centre – the dominant New Format centre in Western Canada

As with most of RioCan's properties – especially New Format centres – RioCan Signal Hill Centre is a growth story rooted in RioCan's intimate market knowledge and demonstrated ability to seize opportunity. Situated in the heart of Calgary's most rapidly developing residential market, RioCan Signal Hill Centre is short on history and long on success. This huge centre has tripled in size since first opening its doors in 1997 – now encompassing 650,000 square feet and deriving 88% of its gross revenue from such leading anchor and national tenants as Zellers, Business Depot, Winners, MEXX, Bowrings, HMV, Danier and the Toronto Dominion Bank.

Kennedy Commons – 88% of income generated from national and anchor tenants

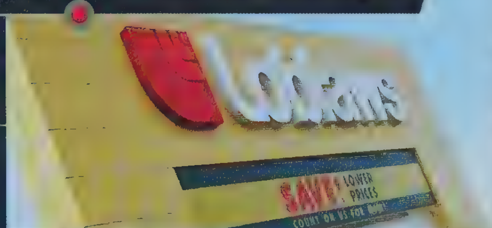
When we acquire a property, RioCan's retail real estate professionals assess its potential from myriad perspectives – local and regional growth, demographics, competition, cost, capacity for immediate returns and subsequent cash flow enhancement – with the aim of always being the dominant retail property in a market area.

Kennedy Commons is an ideal example of this strategy in profitable action. Strong location, strong retailers – that is Kennedy Commons, a 440,000 square foot trophy property located at Kennedy Road and Highway 401 in a prime GTA market. Anchored by one of the top performing Dominion stores in Ontario, it provides more evidence that our strategy of anchoring properties with food stores is rewarding for both RioCan and our tenants. And a powerful reason why 15.4% of our total gross revenue derives from Canada's major supermarket chains. Kennedy Commons is also home to the most successful Brick store in Canada and a Sears Whole Home that is a leader in that chain.

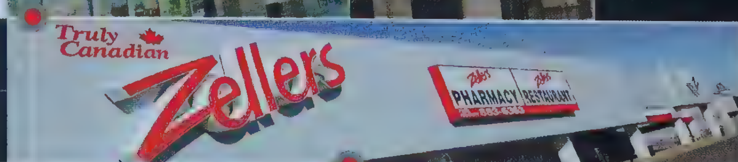
REAL PROPERTY

Wal-Mart
Kanata Centrum
Kanata, Ontario

Loblaws
RioCan Durham Centre
Ajax, Ontario



LCBO
Kanata Centrum
Kanata, Ontario



Reitmans
RioCan Durham Centre
Ajax, Ontario

Black's
RioCan Durham Centre
Ajax, Ontario

Zellers
RioCan Durham Centre
Ajax, Ontario

RioCan Durham Centre
Ajax, Ontario

76% income generated from national tenants
In a competitive retail environment, it takes strength and security to succeed – and RioCan's shopping centres have the strongest retail chains and brands, all secured by long-term leases. We are Canada's largest landlord of the country's leading retail chains and supermarkets.

Each RioCan development is undertaken *only* when costs are lower than average and immediate and long-term returns are higher than average. We are not in business simply to be the largest shopping centre owner in Canada – but to be the most *successful* retail property owner in the country. Today. Tomorrow. Always.

Quality Developments and Constant Growth

With a portfolio of 134 retail properties across Canada containing an aggregate of well over 20 million square feet of gross leasable area, RioCan is the country's largest retail landlord. Our properties are strategically selected to achieve immediate returns and sustain them over the long term. Our 3,000 tenants are a Who's Who of leading retailers, supermarket chains and successful local businesses – with 76% of our income generated from national tenants, yet no single tenant accounting for more than 5.7%.

The result: Quality properties virtually guaranteed to deliver enhanced returns and reliable, long-term cash flow for a secure financial future and the fulfillment of our mission *to deliver to our unitholders stable and reliable cash distributions, which continually increase over time.*

RioCan Durham Centre – anchoring one of Ontario's powerhouse retail centres

If the GTA is retail's gold standard, the Durham retail node is its newest mother lode. This 1,000,000 square foot retail powerhouse enjoys an ideal location just north of Highway 401 in Ajax, the fastest growing community in Ontario. RioCan's dominant New Format centre is adjacent to complementary retailers such as Wal-Mart and Costco that contribute to the high volume of consumer traffic on this huge retail site. Every prominent Canadian retailer wants to be a part of this retail bonanza, borne out by the quality of our tenants and the length of our waiting list. Which is why we can say with confidence that RioCan Durham Centre will be the golden source of escalating cash flow for decades to come.

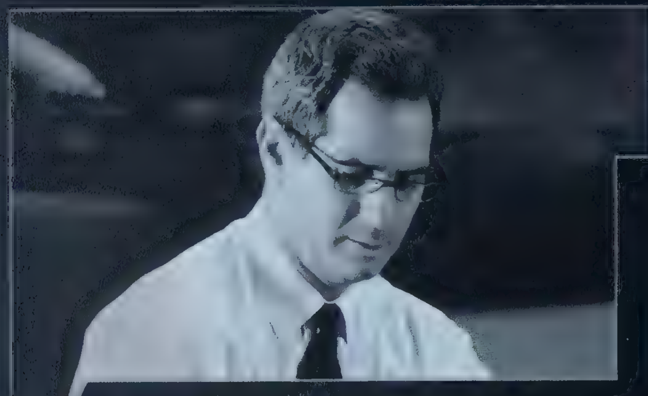
Kanata Centrum Shopping Centre – hitting the bull's-eye in one of Canada's fastest-growing markets

What is the value of having the dominant shopping centre at the focal point of one of Canada's fastest-growing markets, our country's Silicon Valley? Almost incalculable – and RioCan has got it.

Kanata Centrum is home to a Wal-Mart that, just three years after first opening its doors, is currently expanding by 29,000 square feet to become the largest in the country. Kanata Centrum also boasts the number one Chapters retail location in Canada. Concrete evidence of the drawing power of our location and its assured future. There is a scarcity of zoned and vacant land in the vicinity of Kanata Centrum that strongly mitigates against competition, especially at RioCan's low cost base.

Kanata Centrum embodies all of the values that guarantee the success of every RioCan property: market insight, quality developments/expansions at reasonable costs, value-added relationship-oriented management, competitive leasing terms, and a high-quality consumer experience that emphasizes convenience, selection and easy access to daily needs.

REAL PEOPLE



Frederic Waks
Senior Vice President and
Chief Operating Officer

Katy Ritcey
Vice President,
Investments

Donald MacKinnon
Vice President,
Real Estate Finance

Robert Wolf
Vice President and
Chief Financial Officer

Danny Kissoon
Vice President,
Operations

Jeff Ross
Vice President,
Leasing

Is it possible for just 49 people to operate and expand Canada's largest and most successful REIT? The answer is a resounding *yes!* – when those people are the knowledgeable, experienced, dedicated and seasoned team of RioCan professionals. Guided by President and CEO Edward Sonshine and a tightly knit Executive, the RioCan pros are *real* people delivering *real* quality every day.

RioCan's retail real estate experts are dedicated to the delivery of accretive value far beyond industry norms – and they have consistently achieved that objective year after year, with 2000 standing out as one of our best yet.

The RioCan executive, asset managers and leasing professionals know the Canadian retail environment and retail real estate industry intimately. That is why:

- RioCan's portfolio of 134 properties delivers accretive value far beyond industry norms.
- RioCan's properties are invariably the dominant locations in their market areas.
- RioCan consistently achieves premium quality developments, assured of sustaining strong cash flows.
- RioCan enjoys an enviable record for acquiring existing neighbourhood shopping centres at prices below replacement cost – and significantly increases unitholder value through additions and enhancements.
- RioCan has moved strongly and decisively to gain dominance in New Format retail.
- RioCan's in-house leasing professionals lead the industry in occupancy rates at a remarkable 96%.
- RioCan's relationships with the foremost retailers in Canada have led to consistent renewal rates of 90% and long-term leases.
- RioCan's aggressive asset management delivers low operating costs and high tenant satisfaction.

In the ever-evolving world of retail real estate, it is the RioCan team that assures the fulfillment of our objective of achieving *real* value and *real* quality in every aspect of our operations. Our wealth of industry expertise and demonstrated ability to actively manage each property for maximum returns combine seamlessly with our industry-leading size and financial acumen to ensure growth in portfolio value and unitholder returns through the years to come.

CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

Management's discussion of the Trust's financial results should be read in association with RioCan's audited financial statements for the years ended December 31, 2000 and 1999.

OVERVIEW

RioCan is an unincorporated "closed-end" trust governed by the laws of the Province of Ontario and constituted pursuant to a Declaration of Trust. RioCan is publicly traded and is listed on the Toronto Stock Exchange under the symbol REI.UN.

RioCan is Canada's largest real estate investment trust ("REIT"). As at December 31, 2000 it had ownership interests in a portfolio of 134 shopping centres, containing over 26 million square feet of gross leasable area, with RioCan's owned interest being 18.79 million square feet. All of RioCan's assets are located in Canada.

RioCan's purpose is to deliver to its unitholders stable and reliable cash distributions that will increase over the long term.

ASSETS

RioCan's focus on owning and operating retail real estate capitalizes on this sub-sector's advantages, which include: (i) valuation swings are less dramatic than the office and industrial sub-sectors; (ii) tenant leases are generally written for longer terms than office and industrial properties thereby "smoothing" cash flows over recessionary periods; and (iii) tenants view retail space as "profit centres" (as opposed to "overhead"), resulting in higher renewals at lower costs than typical for the office and industrial sub-sectors.

The specific niche areas in the retail area in which RioCan primarily invests are: (i) neighbourhood, convenience unenclosed centres; (ii) new format retail centres; and (iii) dominant, enclosed malls in smaller urban areas.

The majority of RioCan's portfolio consists of unenclosed, supermarket or junior department store anchored shopping centres, typically comprising 100,000 to 250,000 square feet of leasable area. Other convenience-oriented tenants generally include drug stores, banks, restaurants and other service providers. It is RioCan's belief that such retail centres are the most stable of commercial properties. Because they address the everyday, convenience-oriented needs of nearby consumers, they are relatively immune to general economic cycles. At the same time, the scarcity of zoned and vacant land within mature neighbourhoods strongly mitigates against new competition, especially at RioCan's low cost base.

A significant portion of RioCan's portfolio are new format retail centres – large aggregations of dominant retailers grouped together at high traffic and easily accessible locations. These unenclosed campus-style centres are generally anchored by supermarkets and junior department stores and may include an entertainment component (new generation movie theatres, large-format bookstores and restaurants). These centres offer retailers significant operating and cost advantages. As these centres have all been recently developed/constructed, they are generally 99% occupied and tenants' leases are generally for a minimum of 10 years.

RioCan also owns enclosed malls in smaller urban areas. Management believes that, as long as the properties in question are dominant in their marketplaces, the apparent operating cost disadvantages of enclosed malls can be readily overcome.

The consolidated carrying value of RioCan's owned interest in 18.79 million square feet of gross leasable area is approximately $106 per square foot. This is significantly below replacement cost and provides RioCan with a meaningful competitive advantage.

The majority of RioCan's assets are located in Ontario. It is management's view that Ontario is the driver of prosperity in Canada, given that it has the largest and most prosperous population. Furthermore, the type of retail that RioCan owns demands comprehensive local knowledge and RioCan's senior management has extensive experience and retail industry relationships in Ontario.

The following table provides a geographical breakdown of RioCan's retail property portfolio:

Province	Total Gross Leasable Area	RioCan Interest	Net Book Value as at December 31, 2000	% of Total Annualized Gross Revenue as at December 31, 2000
Ontario	17,507,030	12,024,618	$ 1,295,664,000	68.6%
Alberta	2,714,043	2,191,475	324,906,000	12.0%
Quebec	2,636,756	2,102,485	168,409,000	8.8%
Saskatchewan	1,133,684	1,133,684	69,297,000	4.9%
British Columbia	339,986	286,986	45,131,000	1.7%
Prince Edward Island	328,387	328,387	29,511,000	1.5%
New Brunswick	1,247,740	544,984	33,908,000	1.5%
Manitoba	178,993	178,993	24,114,000	1.0%
	26,086,619	18,791,612	$ 1,990,940,000	100.0%

As at December 31, 2000 RioCan's portfolio enjoyed a 96.1% occupancy rate.

The reliability and stability of RioCan's cash flows is achieved in many ways.

Lease maturities are staggered to ensure that there is no over-exposure to large amounts of rollovers in any given year. As at December 31, 2000 the proportion of the Trust's space for which leases expire over the next five years is as follows:

2001	5.6%
2002	4.8%
2003	5.6%
2004	8.8%
2005	7.8%

The solidity of RioCan's income stream is furthered by the fact that, as at December 31, 2000, over 76.1% of its revenue was derived from, and 76.9% of its space was leased to, national and anchor tenants. These are up from 73% and 76%, respectively, as at December 31, 1999. RioCan constantly strives to increase the proportion of national tenancies in each property and the length of related leases. As at December 31, 2000 no individual tenant comprises more than 5.7% of the portfolio's annualized gross revenue. As at December 31, 2000 RioCan's 10 largest tenants (based on gross revenue) and the weighted average term remaining on their leases were as follows:

	% of Gross Revenue	Weighted Average Remaining Lease Term (Yrs.)
1. Wal-Mart	5.7	15.8
2. A&P	5.7	11.6
3. Zellers	5.5	11.7
4. Famous Players	5.0	20.9
5. Loblaws Co.	3.7	10.3
6. Métro-Richelieu	3.0	6.1
7. Shoppers Drug Mart	1.8	7.8
8. Staples	1.6	10.3
9. Safeway	1.5	13.4
10. Chapters	1.5	7.6
	35.0	

Further evidence of the relatively low risks attached to RioCan's cash flows is that, as at December 31, 2000, 15.4% of RioCan's gross revenue comes from Canada's major supermarket chains and over 48% of gross revenue is derived from the 25 largest tenants. The diversification of RioCan's sources of revenue is evidenced by the fact that it has almost 3000 individual tenancies.

RioCan's portfolio requires periodic investments of capital for tenant installation costs related to new and renewal leasing. These include providing tenants build-out allowances and paying leasing commissions to third-party brokers representing tenants. Expenditures for tenant installations were $14.7 million in 2000. RioCan also invests capital on an ongoing basis for the maintenance of its properties. Typical costs incurred are for roof replacement programs and the paving of parking lots. Tenant leases generally provide for the ability of the landlord to pass on such costs to tenants as operating costs.

The Trust has a limited development program primarily focused on new format retail centres. The provisions of RioCan's Declaration of Trust have the effect of limiting investments in non-income producing assets to no more than 15% of unitholders' equity. To minimize risks, developments are generally undertaken with established developers either on a joint-venture, co-tenancy basis, or by providing them with mezzanine financing on a participating mortgage basis. RioCan does not see itself as a developer, nor does management have any desire to build up the infrastructure and overheads associated with being one. RioCan's policy is to not participate in the acquisition of land unless it is fully zoned and 65% of the buildable space has been pre-leased/pre-sold. Construction is phased to avoid the creation of meaningful amounts of vacant space. An advantage of unenclosed, new format retail is that, unlike an enclosed mall or an office building, it lends itself to staged construction, keyed to leasing levels.

As a part of its development program, RioCan will make loan advances to its partners and borrowers to help fund the acquisition and development costs of the related properties. These transactions are generally structured either as co-tenancies or as loans with RioCan granted options to purchase a stated interest (generally 50%) in the underlying property (essentially, upon or after substantial completion).

As at December 31, 2000 the Trust had mortgages and loans receivable as follows:

(thousands of dollars)	**2000**	1999
Mortgages and loans receivable from co-owners	**$ 25,406**	$ 39,485
Participating mortgages and loans receivable	**186,135**	85,076
Other mortgages and loans receivable	**57,319**	133,912
	$ 268,860	$ 258,473

Of the December 31, 2000 balance of mortgages and loans receivable, up to $98 million will be repaid from the cash flows generated from the exercise of RioCan's options to purchase interests in the properties.

CAPITAL STRUCTURE AND LIQUIDITY

RioCan finances its operations with various forms of capital, including equity, bank debt, long-term mortgage financing on completed income properties, unsecured debentures and short- to medium-term construction financing on properties under development.

Debt

RioCan has access to many sources of debt, domestic and foreign mortgage lenders, the unsecured debenture market and conventional bank borrowings. RioCan's policy is to make maximum usage of long-term, fixed-rate debt so as to minimize its exposure to interest rate fluctuations. As at December 31, 2000 only 1.4% of RioCan's total indebtedness was at floating interest rates.

Until June 2, 1997, RioCan's Declaration of Trust stated that total debt must not exceed 50% of aggregate assets, defined as the total of the Trust's assets plus accumulated amortization of income properties. On June 2, 1997, unitholders approved a change relating to convertible debt issued by RioCan where it may issue trust units to repay the principal amount borrowed (versus repayment required to be made with cash). The Trust may issue debt to a limit of 65% of aggregate assets, subject to the excess over the original 50% debt limitation being in the form of convertible debt where RioCan has the option to repay the debt with trust units issued from treasury. To date, RioCan has not issued any such convertible debt instruments. At December 31, 2000, the Trust's indebtedness was 47.3% of aggregate assets, as compared to 48.3% as at December 31, 1999.

As at December 31, 2000, RioCan had three series of senior unsecured debentures outstanding totalling $300 million. Such debt has the advantage that it provides greater flexibility than conventional secured borrowings and requires no ongoing repayments of principal. As at December 31, 2000 the composition of total borrowings were as follows:

	Total ($000s)	% of Total Debt
Mortgage indebtedness	$ 858,482	74%
Senior unsecured debentures	300,000	26%
	$ 1,158,482	100%

As at December 31, 2000 RioCan had revolving, secured lines of credit in place totalling $120 million with major Canadian financial institutions, of which in excess of $105 million was unutilized.

On a combined basis, the Trust's mortgages and debentures payable bear a December 31, 2000 weighted average interest rate of 7.3% with a weighted average term to maturity of 6.2 years, with future repayments as follows:

(thousands of dollars)

2001	$ 84,003
2002	206,120
2003	49,125
2004	99,236
2005	117,551
Thereafter	602,447
	$ 1,158,482

As at December 31, 2000 RioCan could incur additional indebtedness of almost $130 million and still adhere to its 50% leverage limitation.

Equity

RioCan has an equity market capitalization of approximately $1.33 billion, based on the unit price on the Toronto Stock Exchange at December 31, 2000. This ranks RioCan among the largest real estate entities in Canada. In 2000, RioCan was one of the most actively traded real estate securities on Canadian stock exchanges.

RioCan issued new equity in 2000 to help finance its acquisition and growth programs. Approximately 4.2 million units valued at $38.75 million were issued as partial consideration for retail properties. An additional 15.8 million units were issued for cash consideration during 2000, yielding gross proceeds of $137.12 million.

Under its Declaration of Trust, RioCan is permitted to retain up to 10% of its distributable income in any year to maintain a reserve to fund ongoing capital costs, including recurring mortgage principal repayments and tenant leasing costs. Prior to 1999, the Trust historically paid out 100% of its distributable income to its unitholders.

One of RioCan's goals is to become increasingly less reliant on issuing new equity to meet its capital requirements. Towards this end, in 1999 RioCan distributed 95% of its distributable income and in 2000 it increased its retention ratio such that it only distributed 90%.

RioCan has a unitholder distribution reinvestment plan (DRP) which resulted in 8.4% of distributions paid in 2000 being immediately reinvested. The combination of the increased retention of distributable income and participation rates in the DRP resulted in an effective retention of capital ratio equivalent to 18.4% of distributable income for 2000.

Financial liquidity and capital commitments

During the year ended December 31, 2000 RioCan generated $156.2 million of distributable income and ended the year with $61.7 million of cash and short-term investments and over $105 million of available undrawn credit.

The costs to complete properties under development at December 31, 2000 was approximately $19 million and forward purchase commitments for income properties total $80 million ($55 million in 2002 and the balance in 2004).

RioCan believes that with its level of distributable income, its ability to refinance existing property debt and its capacity to raise equity financing, should it decide to take such action, it will have more than sufficient resources in place to fund its 2001 obligations.

RESULTS OF OPERATIONS

The Trust reported net earnings of $121.8 million for the year ended December 31, 2000, as compared with net earnings of $102.7 million for 1999. Operating income, defined as income before gains and losses on sales of income properties and provisions for diminution in valuation of income properties, rose to $133.4 million in 2000 from $97.6 million in 1999. The increase is mainly attributable to RioCan's acquisition program, including the full year impact of the RealFund REIT acquisition on May 31, 1999.

2000 net earnings per unit were 93 cents, a 6% decrease from 1999 net earnings per unit of 99 cents. This decrease is attributable to losses on sales of income properties and provisions for diminution in valuation of income properties in the amount of $11.6 million for 2000 versus gains of $5 million in 1999. If one excludes the impact of these items, earnings per unit would have been $1.02 in 2000 and $0.95 in 1999, which represents growth of 7.4%.

Net operating income

(thousands of dollars)	2000	1999
Rental revenue	$ 301,394	$ 230,409
Operating costs	(105,672)	(85,412)
	$ 195,722	$ 144,997

In 2000, net operating income increased $50.7 million or 35% as compared to 1999. This increase is primarily due to having the benefit of ownership of properties acquired as part of the RealFund REIT acquisition on May 31, 1999 for all of 2000.

Interest income

Interest income includes interest charged on loans receivable, interest received on cash balances and fee income earned from third parties. Interest income was earned from the following component sources:

(thousands of dollars)	2000	1999
Mortgages and loans receivable from co-owners	$ 3,901	$ 4,215
Participating mortgages and loans receivable	19,316	11,336
Other mortgages and loans receivable	9,174	8,021
Fee income	3,051	1,810
	$ 35,442	$ 25,382

Interest expense

(thousands of dollars)	2000	1999
Interest expense	$ 73,125	$ 54,966
Capitalized interest	4,255	2,956
Total interest cost	$ 77,380	$ 57,922

Interest expense increased in 2000 from 1999 due to higher average debt levels in 2000 as compared to 1999 as a result of the debt associated with the income properties acquired via the acquisition of RealFund REIT on May 31, 1999. RioCan capitalized interest to its properties under development in 2000 representing 5.5% of its total 2000 interest costs, as compared to 5.1% for 1999. The interest coverage ratio (defined as rental income plus interest income less general and administrative expenses divided by interest expense) improved to 2.9 times in 2000 from 2.8 times in 1999.

General and administrative expenses

Net general and administrative expenses were $6.4 million in 2000 versus $4.6 million in 1999.

(thousands of dollars)	2000	1999
General and administrative expenses incurred	**$ 9,037**	$ 7,135
Less: capitalized to properties	**(2,677)**	(2,566)
	$ 6,360	$ 4,569

Gross overhead expenses incurred for 2000 increased by 27% over 1999. This increase is largely attributable to greater costs for additional leasing, operations and asset management staff and related costs added in 2000 and the second half of 1999 which were required to manage portfolio growth.

Amounts capitalized to properties for 2000 represent 30% of gross general and administrative expenses, as compared to 36% for 1999.

RioCan's asset management function was internalized on July 1, 1995. RioCan was the first Canadian REIT to adopt the position that unitholders are best served by internalized management, rather than through external asset management contracts. No fees are paid to third-party managers for acquisitions, dispositions or for simply owning assets. The positives of internal management are significant, whether one is looking at the overall costs of operation or the ability to directly align the goals and compensation of management with those of unitholders.

In December 2000 RioCan announced that it will undertake the internalization of all property management functions by July 2001. Currently performed by a number of third-party property managers, this function encompasses the physical maintenance of its properties, the collection of all rents and all accounting related functions. This initiative is expected to achieve significant cost savings beginning in the second half of 2001.

Sales of income properties

RioCan will generally dispose of those income properties which are deemed to no longer fit its portfolio strategy of focusing on retail real estate. A retail property may also be sold if management determines that its value has been maximized and that the capital invested in it can be redeployed elsewhere at higher returns. There are also retailers who prefer to own their own store as opposed to being a tenant – over the years, RioCan has sold land to operators who have constructed stores which effectively remain part of the centres as (non-owned) anchors. In addition, in certain isolated cases, a sale to an anchor tenant will take place so as to avoid having that tenant leave the centre altogether. Even if the sale results in a loss to RioCan, this may be viewed by management as preferable to the tenant ceasing operations and vacating the premises, as that could result in an even greater economic loss in terms of its impact on the entire shopping centre.

The Trust lost $9.3 million on a net basis from gross sales of $109 million of real estate in 2000, as compared to net gains of $5.0 million on gross sales of $84 million in 1999. The losses incurred in 2000 are solely attributable to sales of properties to anchor tenants and to sales of non-core assets acquired as part of the RealFund REIT acquisition in 1999.

Risks and uncertainties

The principal operating risk facing the Trust is the potential for declining revenue if it cannot maintain the existing high-occupancy levels of its properties. To safeguard against this risk, RioCan invests primarily in supermarket and junior department store-anchored, neighbourhood, convenience-oriented shopping centres which are always required to service the day-to-day needs of the general population. Should vacancies occur in these types of centres, it is generally easier to find replacement tenants. Towards this end, management makes it a priority to maintain good relationships with all tenants. The Trust has in-house leasing capabilities, which results in excellent control over its leasing activities and generally results in even faster releasing of space should it unexpectedly become vacant.

The Trust's assets and operations are inherently not subject to a high level of environmental risk. It is the Trust's policy to have an environmental audit conducted by an independent consultant prior to acquiring any property. Such audits are also commissioned on an ongoing basis for existing assets, where deemed appropriate. In addition, tenant leases generally specify that the tenant will conduct its business in accordance with environmental regulations and be responsible for any liabilities arising out of infractions to such regulations. These policies and practices protect the long-term market value of RioCan's assets.

Due to its involvement in development activities, the Trust is subject to risks such as construction or other unforeseeable delays and cost overruns. To mitigate such risks, the Trust undertakes development projects with developers possessing a proven track record of success. The risks are further minimized through adherence to a policy of not commencing construction until satisfactory levels of pre-leasing/sales are achieved, generally defined to be 70% of leasable area. In addition, the overall capital that can be committed at any one time to all such projects is limited by its Declaration of Trust to no more than 15% of unitholders' equity.

The ultimate safeguard against all risks faced by the Trust is that it owns a well-diversified portfolio of income-producing retail real estate. Income properties are located across Canada, and both lease and debt maturities are managed so as to avoid the risks from exposure to the economic and interest rate environment existing in any one given year. With conservative debt limitations and the vast majority of the Trust's income deriving from national and anchor tenants, the Trust's cash flow is stable and reliable.

At December 31, 2000

Property and Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq. Ft.)	% Leased	Major or Anchor Tenants
400 Barrie Power Centre, *Barrie, ON*	May 1999	50%	178,312 (356,624)	100.0%	Wal-Mart, Sobeys
404 Town Centre, *Newmarket, ON*	May 1992	100%	249,532	99.3%	Zellers, A&P
1000 Islands Mall, *Brockville, ON*	Mar. 1997	100%	273,735	99.3%	Wal-Mart, Your Independent Grocer, Sears
Adelaide Centre, *London, ON*	Jan. 1997	50%	40,469 (80,938)	100.0%	A&P
Ajax Wal-Mart, *Ajax, ON*	(2)	50%	149,055 (298,110)	100.0%	Wal-Mart, Canadian Tire, Cineplex
Aurora Village Plaza, *Aurora, ON*	Nov. 1996	100%	55,203	100.0%	A&P
Bamburgh Gardens, *Toronto, ON*	Nov. 2000	100%	113,252	100.0%	A&P
Bathurst Supermall, *Bathurst, NB*	Jan. 1997	50%	91,667 (183,334)	89.1%	Atlantic Super Valu, Canadian Tire*, Rossy
Belleville Plaza, *Belleville, ON*	Oct. 1996	100%	87,845	100.0%	Stream International
Belleville Wal-Mart Centre, *Belleville, ON*	May 1999	100%	181,263	100.0%	Wal-Mart
Bellfront Shopping Centre, *Belleville, ON*	May 1999	100%	108,412	91.2%	Loeb
Blue Mountain Mall, *Collingwood, ON*	Jan. 1999	100%	133,972	88.9%	IGA, Zellers
Bolton Country Shopping Plaza, *Bolton, ON*	Jan. 1999	100%	87,003	100.0%	Zehrs
Boulevard Shopping Centre I & II, *Ottawa, ON*	Oct. 1996	100%	212,924	99.6%	Winners, Zellers, Loeb
Brookside Mall, *Fredericton, NB*	Nov. 1996	50%	132,737 (265,474)	92.9%	Zellers, Sobeys, Rossy
Burlingwood Shopping Centre, *Burlington, ON*	Mar. 1996	100%	46,504	98.6%	No Frills
Cambrian Mall, *Sault Ste. Marie, ON*	Apr. 1998	100%	128,063	92.9%	Loblaws*, SportChek, Canadian Tire*, Winners
Carrefour Carnaval, *St. Leonard, QC*	Apr. 1998	100%	159,224	93.7%	Super C, Value Village
Carrefour Neufchatel, *Quebec City, QC*	Jan. 2000	100%	253,363	86.7%	Zellers, Super C
Centre Carnaval, *Drummondville, QC*	Jan. 2000	100%	143,750	97.3%	Super C, Business Depot
Centre Carnaval, *Ville LaSalle, QC*	Apr. 1998	100%	211,002	94.7%	Super C, Value Village

Property and Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq. Ft.)	% Leased	Major or Anchor Tenants
Centre Carnaval, *Pierrefonds, QC*	Apr. 1998	100%	130,092	100.0%	Super C
Centre Carnaval, *Montreal, QC*	Apr. 1998	100%	67,815	100.0%	Super C
Centre Carnaval, *Trois Rivières, QC*	Jan. 2000	100%	113,888	100.0%	Super C
Centre de la Concorde, *Laval, QC*	Jan. 2000	100%	111,152	100.0%	Super C
Centre RioCan Kirkland I,	Dec. 1999	100%	87,467	100.0%	Famous Players
Centre RioCan Kirkland II, *Kirkland, QC*	(2)	50%	12,687 (25,374)	100.0%	Business Depot
Century Park Plaza, *Calgary, AB*	Mar. 1989	100%	40,144	77.6%	Mark's Work Wearhouse, Penningtons
Charlottetown Mall, *Charlottetown, PE*	Jun. 1997	100%	328,387	99.7%	Zellers, IGA, Winners, SportChek
Churchill Plaza, *Sault Ste. Marie, ON*	May 1999	50%	85,719 (171,438)	84.8%	A&P
Cine Plaza, *Kingston, ON*	Oct. 1986	100%	40,603	100.0%	Penningtons
Clarkson Village Shopping Centre, *Mississauga, ON*	Nov. 1996	100%	65,762	100.0%	A&P
Colborne Mall, *Brantford, ON*	Apr. 1998	100%	70,553	100.0%	Zehrs
Commissioners Court Plaza, *London, ON*	May 1999	100%	93,879	98.9%	Food Basics
Confederation Mall, *Saskatoon, SK*	Sept. 1997	100%	322,311	93.3%	Wal-Mart, Safeway
County Fair Mall, *Smith Falls, ON*	Nov. 1997	100%	158,482	97.1%	Zellers, Food Basics
6 Crockford Avenue *Scarborough, ON*	Dec. 1987	100%	30,000	100.0%	
Dilworth Shopping Centre, *Kelowna, BC*	May 1999	100%	189,946	84.8%	Safeway, Staples
Dougall Plaza, *Windsor, ON*	Apr. 1998	100%	120,588	100.0%	Food Basics
East Park Centre, *Windsor, ON*	May 1999	100%	68,948	62.9%	Bank of Nova Scotia, Bi-Way
Elgin Mall, *St. Thomas, ON*	Feb. 1997	100%	265,377	97.2%	Zellers, Food Basics, Sears
Empress Walk, *Toronto, ON*	Jul. 2000	100%	181,690	96.4%	Famous Players, Loblaws*, Indigo, SportChek
Enterprise Plaza, *Windsor, ON*	May 1999	100%	49,590	93.4%	Cashway
Fallingbrook Shopping Centre, *Ottawa, ON*	May 1999	100%	97,503	100.0%	Loeb

Property and Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq. Ft.)	% Leased	Major or Anchor Tenants
Festival Hall, *Toronto, ON*	Oct. 1999	50%	112,147 (224,294)	100.0%	Famous Players, Chapters
First Warden, *Scarborough, ON*	(2)	50%	72,864 (145,728)	100.0%	Wal-Mart, Future Shop
Five Points Shopping Centre, *Oshawa, ON*	Jan. 1999	100%	336,461	100.0%	Zellers, A&P, Business Depot, Winners
Frontenac Mall, *Kingston, ON*	Mar. 1997	100%	272,565	94.8%	Wal-Mart, Food Basics
Glenmore Landing, *Calgary, AB*	Feb. 1987	50%	73,522 (147,044)	100.0%	Safeway
Gloucester Silver City Centre, *Gloucester, ON*	(2)	50%	113,607 (227,214)	100.0%	Famous Players, Chapters, Future Shop
Goderich Wal-Mart Centre, *Goderich, ON*	May 1999	100%	156,703	100.0%	Wal-Mart, Canadian Tire*, Zehrs
Golden Mile Bowling Centre, *Scarborough, ON*	Dec. 1987	100%	56,000	100.0%	
Halton Hills Shopping Centre, *Georgetown, ON*	Jan. 1999	100%	71,477	100.0%	Food Basics
Hamilton-Highbury Plaza, *London, ON*	Aug. 1986	100%	5,269	100.0%	
Heart Lake Town Centre, *Brampton, ON*	Jan. 1997	75%	94,369 (125,825)	98.5%	A&P
Highbury Shopping Plaza, *London, ON*	May 1999	100%	70,960	98.8%	Loeb
Hunt Club Centre, *Ottawa, ON*	Jan. 1997	50%	33,496 (66,992)	98.0%	A&P
Innes Road Centre *Gloucester, ON*	Oct. 1997	50%	23,918 (47,836)	100.0%	Costco*, Petsmart
Jasper Gates Shopping Centre, *Edmonton, AB*	May 1999	100%	94,473	96.8%	Safeway*, London Drugs
Kanata Centrum Shopping Centre, *Kanata, ON*	May 1999	100%	196,157	100.0%	Wal-Mart, Loblaws*, Chapters
Kendalwood Park Plaza, *Whitby, ON*	May 1997	100%	161,489	97.2%	Price Chopper, Value Village, Shoppers Drug Mart
Kennedy Commons, *Toronto, ON*	May 1999	50%	179,347 (358,694)	100.0%	AMC Theatres, The Brick, Dominion, Sears, Chapters, Lansing Buildall*
Kildonan Crossing Shopping Centre, *Winnipeg, MB*	May 1999	100%	178,993	91.6%	Safeway
King George Square, *Brantford, ON*	Mar. 1995	100%	67,311	89.4%	Commisso's

Property and Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq. Ft.)	% Leased	Major or Anchor Tenants
Lachute Wal-Mart Centre, *Lachute, QC*	May 1999	100%	75,681	100.0%	Wal-Mart, Loblaws*
Langstaff Place Shopping Centre, *Woodbridge, ON*	May 1999	100%	37,437	100.0%	No Frills*
Laval Wal-Mart, *Laval, QC*	(2)	50%	96,226 (192,452)	100.0%	Wal-Mart, Winners
Lawrence Square, *Toronto, ON*	Apr. 1998	100%	692,402	87.5%	Zellers, Fortino's, Canadian Tire
Leamington Wal-Mart, *Leamington, ON*	(2)	50%	52,592 (105,184)	100.0%	Wal-Mart, Canadian Tire*
Lethbridge Towne Square, *Lethbridge, AB*	May 1999	100%	79,006	98.7%	London Drugs
London Plaza, *London, ON*	Oct. 1996	100%	138,409	100.0%	Zellers, Value Village
Madawaska Centre, *St. Basile, NB*	Oct. 2000	100%	247,842	73.2%	Zellers, Business Depot
Markham Corners, *Toronto, ON*	Nov. 2000	100%	85,780	97.7%	Food Basics
Mayfield Common, *Edmonton, AB*	Oct. 1997	100%	475,357	100.0%	Wal-Mart, Winners, Save-on-Foods
Meadowlands Centre, *Ancaster, ON*	May 1999	100%	145,574	100.0%	Winners Home, Future Shop, SportChek, Costco*, Home Depot*, Zellers*, Sobeys*
Meadowlands Mall, *Nepean, ON*	Oct. 1995	100%	165,821	100.0%	Zellers, Winners Home, Business Depot
Midtown Mall, *Oshawa, ON*	Feb. 1997	100%	144,543	93.7%	Shoppers Drug Mart
Miracle Plaza, *Hamilton, ON*	Nov. 2000	100%	88,497	96.9%	Ultra Mart
Mississauga Plaza, *Mississauga, ON*	Oct. 1996	100%	160,333	100.0%	Zellers, Price Chopper
Mountainview Mall, *Midland, ON*	Apr. 1998	100%	300,274	91.4%	Zellers, A&P, Galaxy Theatres
New Liskeard Wal-Mart Centre, *New Liskeard, ON*	May 1999	100%	77,742	100.0%	Wal-Mart, Canadian Tire*
Niagara Falls Plaza *Niagara Falls, ON*	Oct. 1996	100%	126,665	99.0%	Zellers, IGA
Northgate Village Shopping Centre, *Calgary, AB*	May 1999	100%	295,333	100.0%	IKEA, Safeway, Home Depot*
Northpark Shopping Centre, *Brantford, ON*	Feb. 1995	100%	58,845	89.8%	Shoppers Drug Mart
Northumberland Mall, *Cobourg, ON*	Dec. 2000	100%	240,177	90.6%	Sears, Zellers*, Canadian Tire*

Property and Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq. Ft.)	% Leased	Major or Anchor Tenants
Oakridge Mall, *London, ON*	Feb. 1997	100%	209,687	97.9%	Wal-Mart, Loblaws
Orangeville Fairgrounds, *Orangeville, ON*	(2)	50%	97,843 (195,686)	100.0%	Canadian Tire*, Wal-Mart, Commisso's
Orangeville Heritage Centre, *Orangeville, ON*	Oct. 1997	100%	114,479	100.0%	Zehrs
Orillia Square Mall, *Orillia, ON*	Apr. 1997	100%	297,042	100.0%	Zellers, Canadian Tire, No Frills, Business Depot, Shoppers Drug Mart
Parkland Mall, *Yorkton, SK*	Jun. 1999	100%	266,844	92.4%	Zellers, The Bay, IGA
Pine Plaza, *Sault Ste. Marie, ON*	Jan. 1997	50%	21,190 (42,380)	100.0%	Food Basics
Place Carnaval, *Laval, QC*	Apr. 1998	100%	104,233	97.7%	Super C
Place des Quatre Bourgeois, *Sainte-Foy, QC*	Jun. 1999	100%	245,223	94.9%	IGA, Winners, Rossy
Port Elgin Shopping Centre, *Port Elgin, ON*	Jan. 1999	100%	47,076	100.0%	Zehrs, Canadian Tire*
Renfrew Mall, *Renfrew, ON*	Jun. 1997	100%	137,171	93.3%	Wal-Mart, Your Independent Grocer
Richmond North Centre, *London, ON*	May 1998	100%	105,039	100.0%	Chapters, Petsmart, Loblaws*
RioCan Centre Grande Prairie, *Grande Prairie, AB*	May 1999	100%	191,058	96.8%	Wal-Mart*, Totem Building Supplies, London Drugs, Cineplex, Staples
RioCan Centre Kingston, *Kingston, ON*	Nov. 1997	50%	131,758 (263,516)	100.0%	Home Depot*, Cineplex, Sears, Business Depot, Winners, Future Shop
RioCan Centre Newmarket, *Newmarket, ON*	(2)	50%	12,500 (25,000)	100.0%	Business Depot
RioCan Centre Sudbury, *Sudbury, ON*	Oct. 1999	100%	152,175	100.0%	Costco*, Famous Players, Business Depot, Chapters
RioCan Centre Windsor, *Windsor, ON*	Feb. 1997	100%	184,054	100.0%	Famous Players, The Brick, Petsmart, Business Depot, Costco*
RioCan Colossus Centre, *Vaughan, ON*	(2)	50%	131,174 (262,348)	100.0%	Famous Players*, Costco*, Revy*, Office Place, Winners

Property and Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq. Ft.)	% Leased	Major or Anchor Tenants
RioCan Durham Centre, *Ajax, ON*	May 1999	100%	295,795	100.0%	Zellers*, Costco*, Loblaws*, Future Shop, Winners, Chapters
RioCan Signal Hill Centre, *Calgary, AB*	Sept. 1996	100%	452,849	100.0%	The Real Canadian Superstore*, Zellers, Winners, Staples, Indigo
Riverbend Square Shopping Centre, *Edmonton, AB*	May 1999	100%	137,153	99.2%	Safeway
Sainte-Foy Wal-Mart *Sainte-Foy, QC*	(2)	50%	101,563 (203,126)	100.0%	Wal-Mart, Famous Players, Métro-Richelieu*
Sandalwood Square Shopping Centre, *Mississauga, ON*	May 1999	100%	107,040	94.9%	Commisso's
St. Catharines Plaza, *St. Catharines, ON*	Oct. 1996	100%	147,008	96.1%	Zellers, IGA
St. Clair Beach Shopping Centre, *Windsor, ON*	Dec. 1994	100%	68,143	100.0%	Zehrs
St. Hyacinthe Wal-Mart Centre, *St. Hyacinthe, QC*	May 1999	100%	146,824	97.8%	Wal-Mart, Canadian Tire*, Business Depot
Sherwood Forest Mall, *London, ON*	Jan. 1997	50%	111,060 (222,120)	75.8%	Food Basics
Shoppers World Brampton, *Brampton, ON*	Mar. 2000	50%	304,482 (608,964)	84.9%	The Bay*, Zellers, Canadian Tire, Price Chopper, Winners
Shoppes at Shawnessy, *Calgary, AB*	Jun. 1996	100%	163,004	100.0%	Zellers, Canadian Tire*
Silver City, *Hull, QC*	(2)	50%	42,295 (84,590)	100.0%	Famous Players, Home Depot*
Southgate Shopping Centre, *Ottawa, ON*	Nov. 1996	100%	72,514	100.0%	Loeb
Southland Crossing Shopping Centre, *Calgary, AB*	May 1999	100%	132,246	96.2%	Safeway
South Hill Mall, *Prince Albert, SK*	Sept. 1997	100%	202,725	97.7%	Wal-Mart
Stratford Centre, *Stratford, ON*	Jan. 1997	50%	74,982 (149,964)	93.4%	Zellers, Food Basics
Sudbury Supermall, *Sudbury, ON*	Apr. 1996	100%	159,306	95.8%	Zellers, Your Independent Grocer*

Property and Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq. Ft.)	% Leased	Major or Anchor Tenants
Town 'N' Country Mall, *Moose Jaw, SK*	Sept. 1997	100%	341,804	92.1%	Zellers, Sears, Galaxy Cinemas
Trafalgar Ridge Shopping Centre, *Oakville, ON*	May 1999	100%	57,212	96.2%	Loblaws*
Trenton Wal-Mart, *Trenton, ON*	(2)	50%	52,345 (104,690)	100.0%	Wal-Mart
Trinity Common, *Brampton, ON*	(2)	50%	325,368 (651,276)	100.0%	Home Depot*, Zellers, Canadian Tire*, Famous Players, A&P, Business Depot, Future Shop, Indigo, Winners
Trinity Common Orleans, *Orleans, ON*	(2)	50%	41,095 (82,190)	100.0%	Home Depot*, Super C, Business Depot, Winners
751 Upper James, *Hamilton, ON*	Nov. 2000	100%	113,974	100.0%	A&P, Canadian Tire
Vernon Square Shopping Centre, *Vernon, BC*	May 1999	100%	97,040	97.6%	Safeway*, London Drugs
Victoria Park Square, *Toronto, ON*	Nov. 2000	100%	97,834	99.9%	Food Basics, Winners
Victoria Place, *London, ON*	Sept. 1997	100%	139,533	98.3%	A&P
Village Square, *Calgary, AB*	Jun. 1994	100%	57,333	91.0%	Co-op*
12 Vodden Street – Hy & Zel's, *Brampton, ON*	Jun. 1995	100%	32,294	100.0%	Hy & Zel's
Westgate Shopping Centre, *Ottawa, ON*	Jan. 1997	25%	47,285 (189,140)	98.8%	Your Independent Grocer, Shoppers Drug Mart
Westminster Centre, *London, ON*	Jan. 1997	50%	59,408 (118,816)	80.6%	Business Depot
Wheeler Park Centre, *Moncton, NB*	Sept. 1995	50%	72,738 (145,476)	100.0%	Costco*, Kent Building Supplies*, Famous Players, Winners, Business Depot, Zellers*
Windsor Business Depot, *Windsor, ON*	Jun. 1998	100%	25,744	100.0%	Staples
Woodview Place, *Burlington, ON*	Aug. 1996	100%	137,542	100.0%	Miracle Ultramart, Future Shop, Chapters
Total retail			18,791,612	96.1%	

Retail Properties Under Development	Ownership Interest	Leasable Area (Sq. Ft.)	Non-Owned Anchors	Leasable Area (Sq. Ft.) Under Development	Income Producing (Sq. Ft.)
Ajax Runneymede, *Ajax, ON*	(2)	163,000	–	163,000	–
Centre RioCan Kirkland II, *Kirkland, QC*	(2)	222,000	–	197,000	25,000
First Warden, *Scarborough, ON*	(2)	225,000	–	52,000	173,000
Laval Wal-Mart, *Laval, QC*	(2)	463,000	–	262,000	201,000
Leamington Wal-Mart, *Leamington, ON*	(2)	259,000	65,000	78,000	116,000
Neyagawa, *Oakville, ON*	(2)	113,000	–	113,000	–
Orangeville Fairgrounds, *Orangeville, ON*	(2)	347,000	50,000	91,000	206,000
Orangeville Fedders, *Orangeville, ON*	(2)	72,000	–	72,000	–
RioCan Centre Kingston, *Kingston, ON*	50%	508,000	121,000	111,000	276,000
RioCan Colossus Centre Phase III, *Woodbridge, ON*	(2)	71,000	–	71,000	–
Sainte-Foy Wal-Mart, *Sainte-Foy, QC*	(2)	396,000	49,000	144,000	203,000
Trenton Wal-Mart, *Trenton, ON*	(2)	168,000	–	63,000	105,000
Trinity Common Orleans, *Orleans, ON*	(2)	297,000	115,000	100,000	82,000
Whitby Centre, *Whitby, ON*	(2)	356,000	81,000	275,000	–
Yonge & Savage, *Newmarket, ON*	50%	102,000	–	102,000	–
Total retail properties under development		3,762,000	481,000	1,894,000	1,387,000

1. All amounts including building square footage are shown at the percentage of the Trust's ownership interest; figures in brackets indicate building square footage at 100% ownership.
2. Interest is through a participating mortgage loan with a call option to acquire a 50% interest any time after substantial completion.

* *Non-owned anchor tenant*

Auditors' Report

To the Unitholders of RioCan Real Estate Investment Trust

We have audited the consolidated balance sheets of RioCan Real Estate Investment Trust as at December 31, 2000 and 1999 and the consolidated statements of earnings, distributable income, unitholders' equity and cash flows for the two years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the two years then ended in accordance with Canadian generally accepted accounting principles.

Soberman Isenbaum & Colomby LLP

Chartered Accountants
Toronto, Canada
January 25, 2001

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public and Private Real Estate Companies. The Management of the Trust is responsible for their integrity and objectivity. To fulfill this responsibility, the Trust maintains appropriate systems of internal control, policies and procedures to ensure that its reporting practices and accounting and administrative procedures are of high quality. The financial information presented elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

Soberman, Isenbaum & Colomby LLP, the auditors appointed by the unitholders, have examined the consolidated financial statements in accordance with generally accepted auditing standards to enable them to express to the unitholders their opinion on the consolidated financial statements. Their report as auditors is set forth herein.

The consolidated financial statements have been further reviewed and approved by the Board of Trustees and its Audit Committee. The Audit Committee, which is comprised of three trustees who are not officers of the Trust, reports to the Board of Trustees. The auditors have direct and full access to the Audit Committee.

Toronto, Ontario
January 25, 2001

Edward Sonshine, Q.C.
President and Chief Executive Officer

Robert Wolf
Vice President and Chief Financial Officer

Consolidated Balance Sheets

(thousands of dollars)

At December 31	2000	1999
ASSETS		
Income properties *(Note 4)*	**$ 1,990,940**	$ 1,836,311
Properties under development *(Note 5)*	**37,328**	30,774
Mortgages and loans receivable *(Note 7)*	**268,860**	258,473
Rents receivable and other assets *(Note 8)*	**55,645**	35,594
Cash and short-term investments	**61,741**	–
	$ 2,414,514	$ 2,161,152
LIABILITIES		
Mortgages payable *(Note 9)*	**$ 858,482**	$ 754,321
Debentures payable *(Note 10)*	**300,000**	300,000
Accounts payable and accrued liabilities *(Note 11)*	**95,515**	97,289
	1,253,997	1,151,610
UNITHOLDERS' EQUITY		
Unitholders' equity *(Note 12)*	**1,160,517**	1,009,542
	$ 2,414,514	$ 2,161,152

The accompanying notes are an integral part of the financial statements.

Approved by the Board of Trustees

Paul Godfrey, *Chairman*

Edward Sonshine, Q.C., *Trustee*

Consolidated Statements of Unitholders' Equity

(thousands of dollars)

Years ended December 31	2000	1999
Balance, beginning of year	**$ 1,009,542**	$ 575,596
Net earnings	**121,814**	102,675
Distributions to unitholders	**(141,137)**	(107,968)
Unit issue proceeds	**175,872**	440,570
Unit issue expenses	**(4,903)**	(72)
Units purchased for cancellation	**(671)**	(1,259)
Balance, end of year	**$ 1,160,517**	$ 1,009,542

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Earnings

(in thousands, except per unit amounts)

Years ended December 31	2000	1999
Rental revenue	$ 301,394	$ 230,409
Operating costs	105,672	85,412
Amortization of buildings	13,343	10,093
Amortization of deferred leasing costs	4,896	3,105
	123,911	98,610
Operating income from income properties	177,483	131,799
Interest income	35,442	25,382
Operating income before undernoted	212,925	157,181
Interest expense *(Note 6)*	73,125	54,966
General and administrative expenses *(Note 6)*	6,360	4,569
Operating income	133,440	97,646
Gain (loss) on sale of income properties	(9,323)	5,029
Provision for diminution in valuation of income properties	(2,303)	–
Net earnings	$ 121,814	$ 102,675
Net earnings per unit – basic and diluted *(Note 2)*	$ 0.93	$ 0.99
Weighted average number of units outstanding	131,150	103,238

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Distributable Income

(thousands of dollars, except per unit amounts)

Years ended December 31	2000	1999
Net earnings	$ 121,814	$ 102,675
Amortization of buildings	13,343	10,093
Provision for diminution in valuation of income properties	2,303	–
(Gain) loss on sale of income properties	9,323	(5,029)
Distributable capital gains	9,422	4,937
Distributable income	156,205	112,676
Retention of distributable income	(15,068)	(4,708)
Distributions to unitholders	$ 141,137	$ 107,968
Per unit		
Distributable income	$ 1.18800	$ 1.09100
Retention of distributable income	(0.11675)	(0.05100)
Distributions to unitholders	$ 1.07125	$ 1.04000

The accompanying notes are an integral part of the financial statements.

(thousands of dollars, except per unit amounts)

Years ended December 31	2000	1999
CASH FLOW PROVIDED BY (USED IN):		
Operating activities		
Net earnings	$ 121,814	$ 102,675
Items not affecting cash		
Amortization of deferred leasing costs	4,896	3,105
Amortization of buildings	13,343	10,093
(Gain) loss on sale of income properties	9,323	(5,029)
Provision for diminution in valuation of income properties	2,303	–
Funds from operations	151,679	110,844
Expenditures on deferred leasing costs	(14,738)	(7,509)
Change in other non-cash operating items	(3,119)	(28,850)
Cash flow from operating activities	133,822	74,485
Investing activities		
Acquisition of income properties	(132,221)	(90,029)
Construction of and capital expenditures on income properties	(72,215)	(64,567)
Mortgages and loans receivable		
Advances	(66,714)	(58,862)
Repayments	65,009	23,084
Proceeds from disposition of income properties	59,743	40,714
Cash flow used in investing activities	(146,398)	(149,660)
Financing activities		
Mortgages payable		
Borrowings	348,711	151,730
Repayments	(280,130)	(47,724)
Issue of units, net	145,742	8,966
Distributions paid	(140,006)	(95,631)
Cash flow from financing activities	74,317	17,341
Increase (decrease) in cash and equivalents	61,741	(57,834)
Cash and equivalents, beginning of year	–	57,834
Cash and equivalents, end of year	$ 61,741	$ –
Other cash flow information		
Acquisition of income properties and equity investment in real estate property:		
Through issue of units	$ 24,556	$ 8,125
Through assumption of liabilities	$ 54,472	$ 69,439
Through extinguishment of mortgages and loans receivable	$ 11,016	$ –
Acquisition of RealFund assets *(Note 3)*:		
Through issue of units	$ –	$ 422,148
Through assumption of liabilities	$ –	$ 379,000
Mortgages receivable from sale of income properties	$ 19,765	$ 18,197
Mortgages payable assumed by purchasers on sale of income properties	$ 18,891	$ 22,978
Interest paid	$ 74,214	$ 50,112
Cash equivalents, end of year	$ 46,100	$ –
Funds from operations per unit – basic and diluted	$ 1.16	$ 1.07

The accompanying notes are an integral part of the financial statements.

(tabular amounts in thousands, except per unit amounts)

December 31, 2000

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The Trust's accounting policies and its standards of financial disclosure are in accordance with generally accepted accounting principles and with the recommendations of the Canadian Institute of Public and Private Real Estate Companies, of which the Trust is a member.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

(b) Principles of consolidation

The consolidated financial statements include the accounts of the Trust and its wholly owned subsidiaries.

The Trust carries out certain of its activities through co-ownerships and records its proportionate share of assets, liabilities, revenue and expenses of all co-ownerships in which it participates.

Investments where the Trust exercises significant influence are accounted for using the equity method. This method adjusts the original cost of an investment for the Trust's share of net income and changes in equity.

(c) Income properties

Income properties are stated at the lower of cost less accumulated amortization and net recoverable amount. The net recoverable amount represents the undiscounted estimated future net cash flow expected to be received from the ongoing use and residual worth of the properties, and is intended to determine recovery of an investment and is not an expression of a property's fair market value.

Amortization is recorded on the buildings on a 5% forty-year sinking fund basis. Under this method, amortization is charged to income at an amount, which increases annually consisting of a fixed annual sum, together with a factor compounded at the rate of 5% per annum so as to fully amortize the buildings over a forty-year period.

Re-leasing costs and the cost of tenant improvements are deferred and amortized on a straight-line basis over the term of the respective lease.

Maintenance and repairs costs are expensed against operations as incurred, while significant improvements, replacements and major renovations are capitalized to income properties.

(d) Properties under development

Properties under development are stated at the lower of cost and net recoverable amount. Cost includes acquisition costs, initial leasing costs, other direct costs, property taxes, interest on both specific and general debt, all operating revenue and expenses and the applicable portion of general and administrative expenses.

Capitalization of costs to properties continues until the property reaches its accounting completion date, the determination of which is based on achieving a satisfactory occupancy level within a predetermined time limit.

(e) Debt financing costs

Costs of obtaining debt financing are deferred and amortized over the term of the related debt.

(f) Rental revenue

Rental revenue includes rents earned from tenants under lease agreements, including percentage participation rents, property tax and operating cost recoveries, incidental income and income from an equity investment in real estate property.

(g) Cash and equivalents

Cash and equivalents are comprised of cash and may include short-term market investments with original maturities of three months or less.

(h) Incentive unit option plan

The Trust has a unit based compensation plan which is described in Note 13. No compensation expense is recognized for this plan when unit options are granted to trustees and employees. Any consideration paid by employees or trustees on exercise of unit options is credited to unitholders' equity.

(i) Translation of foreign currencies

Assets and liabilities denominated in United States dollars are translated at the year-end exchange rate. Revenues and expenses are translated at the average exchange rate for the year. Foreign exchange gains or losses are included in net earnings.

(j) Financial instruments

The Trust's rents, mortgages and loans receivable (excluding purchase options), cash and short-term investments and accounts payable and accrued liabilities (excluding deferred income) are carried at cost, which approximates their fair value. The fair values of other financial instruments are disclosed in Note 16 with fair value based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Trust might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

From time to time, the Trust may enter into interest rate swap (option) transactions to modify the interest rate profile of its current or future outstanding debt without an exchange of the underlying principal amount. The difference payable or receivable on such transactions is recorded as an adjustment to the related interest cost.

The Trust does not acquire, hold, or issue derivative financial instruments for trading purposes.

2. CHANGE IN ACCOUNTING POLICY – EARNINGS PER UNIT

In December 2000, the Trust adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to computing and disclosing earnings per unit, on a retroactive basis. The most significant change is that in calculating diluted net earnings per unit it is assumed that proceeds received from the exercise of unit options are used to repurchase outstanding units. Under the previous standard, it was assumed that the proceeds were invested to earn a return.

Under the new recommendations, there was no dilution of net earnings per unit for the current and prior year.

3. ACQUISITION OF REALFUND

In May 1999, RioCan acquired all of the outstanding units of RealFund, a Canadian real estate investment trust for approximately $814,200,000 including acquisition costs. The purchase price was comprised of 43,520,398 units of RioCan valued at $422,148,000 and the assumption of liabilities

of $379,000,000. There was no goodwill acquired on acquisition. The transaction has been accounted for by RioCan as a business combination using the purchase method. The results of operations from the assets acquired in this transaction are included from the date of acquisition.

4. INCOME PROPERTIES

	Cost	Accumulated Amortization	Net Carrying Amount 2000	Net Carrying Amount 1999
Land	$ 415,967	$ –	$ 415,967	$ 416,076
Buildings	1,574,895	(32,268)	1,542,627	1,396,325
Deferred leasing costs	42,571	(10,225)	32,346	23,910
	$ 2,033,433	$ (42,493)	$ 1,990,940	$ 1,836,311

5. PROPERTIES UNDER DEVELOPMENT

	2000	1999
Land	$ 9,142	$ 6,403
Development expenditures	25,260	22,557
Carrying costs	2,926	1,814
	$ 37,328	$ 30,774

The costs to complete properties currently under development is approximately $19,000,000, all of which is to be funded through existing bank facilities.

6. CAPITALIZATION OF CARRYING COSTS

During the year, the following costs were capitalized to properties:

	2000	1999
Interest		
Total interest incurred	$ 77,380	$ 57,922
Less: capitalized to properties	(4,255)	(2,956)
Net interest expense	$ 73,125	$ 54,966
General and administrative		
Total general and administrative expenses incurred	$ 9,037	$ 7,135
Less: capitalized to properties	(2,677)	(2,566)
Net general and administrative expense	$ 6,360	$ 4,569

7. MORTGAGES AND LOANS RECEIVABLE

	2000	1999
Mortgages and loans receivable from co-owners	$ 25,406	$ 39,485
Participating mortgages and loans receivable	186,135	85,076
Other mortgages and loans receivable	57,319	133,912
	$ 268,860	$ 258,473

Mortgages and loans receivable from co-owners bear interest at rates varying from 10% to 12% per annum with a weighted averaged year-end rate of 10.49% (1999 – 11.10%).

Of these mortgages and loans receivable from co-owners $16,003,000 will be repaid from the cash flows generated from capital transactions related to the underlying properties.

With respect to $9,403,000 of these mortgages and loans receivable from co-owners future repayments are due between 2007 and 2008.

Participating mortgages and loans receivable bear interest at rates ranging from 10% to 12% per annum and entitle the Trust to a share of the income generated by the properties securing those mortgages ("the properties").

Of these participating mortgages and loans receivable $93,735,000 mature on the earlier of (i) ten years from the date of initial advance and (ii) subject to the borrower's right to extend for a further five years, the date of completion of the acquisition by the Trust of its 50% interest. The Trust has options to purchase (and the borrowers have options to require the Trust to purchase) a 50% interest in the properties. These options can be exercised upon the substantial completion of the properties. Prior to maturity these participating mortgages and loans will also be repaid from the cash flows generated from the exercise of the Trust's options to purchase the properties and from other capital transactions relating to the properties.

With respect to $92,400,000 of these participating mortgages and loans receivable the Trust has options to purchase a 50% interest in the properties. The options' expiry dates range from December 31, 2003 to April 1, 2005. If an option is exercised, the maturity of the mortgage and loan receivable is three years from the date the 50% interest in the property is purchased. If an option is declined by the Trust or expires without exercise, the maturity of the mortgage and loan receivable is two years from the date of notice that the option is declined or its expiry. Prior to maturity these participating mortgages and loans will also be repaid from the cash flows generated from the exercise of the Trust's options to purchase the properties and from all other net cash flows relating to the properties.

Other mortgages and loans receivable bear interest at rates varying from 6.43% to 14% per annum with a weighted average year-end rate of 10.06% (1999 – 8.97%). Future repayments are due as follows:

Year ending December 31, 2001	$	11,150
2002		21,315
2003		10,319
2004		2,661
2005		9,760
Thereafter		2,114
Other mortgages and loans receivable	$	57,319

8. RENTS RECEIVABLE AND OTHER ASSETS

	2000	1999
Rents receivable	$ **20,439**	$ 22,077
Equity investment in real estate property	**16,950**	–
Prepaid expenses	**10,125**	9,329
Financing and other issue costs	**7,407**	3,969
Other	**724**	219
	$ **55,645**	$ 35,594

9. MORTGAGES PAYABLE

Mortgages payable bear interest at rates ranging between 3% and 12.95% per annum with a weighted average year-end rate of 7.34% (1999 – 7.28%) and mature between 2001 and 2020. Included in mortgages payable are amounts drawn against revolving lines of credit of nil (1999 – $81,283,000). At December 31, 2000, the Trust had revolving lines of credit totalling $120,000,000 (1999 – $120,000,000) with major Canadian financial institutions, secured by certain income properties. The facilities are subject to annual renewal. The Trust had letters of credit of $15,956,000 (1999 – $14,253,000) outstanding at December 31, 2000, of which $14,576,000 (1999 – $13,370,000) were drawn against the revolving lines of credit.

Future repayments are due as follows:

Year ending December 31, 2001	$	84,003
2002		106,120
2003		49,125
2004		99,236
2005		67,551
Thereafter		452,447
	$	858,482

10. DEBENTURES PAYABLE

	2000	1999
Series A senior unsecured, initial maturity of October 31, 2002, interest bearing at 6.35% per annum payable semi-annually until initial maturity, extendible at the option of the debenture holders to October 31, 2007 at an interest rate of 6.82% per annum	$ 100,000	$ 100,000
Series B senior unsecured, maturity of April 25, 2005, interest bearing at 6.5% per annum, payable semi-annually	50,000	50,000
RealFund Series A senior unsecured *(Note 3)*, maturity of August 1, 2007, interest bearing at 6.80% per annum, payable semi-annually	150,000	150,000
	$ 300,000	300,000

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2000	1999
Security deposits and other accrued liabilities	$ 27,231	$ 22,036
Accrued operating expenses and property taxes	16,423	16,921
Deferred income	14,550	19,667
Distributions payable to unitholders	13,468	12,337
Accrued interest payable	12,050	9,464
Construction payables	11,793	16,864
	$ 95,515	$ 97,289

12. UNITHOLDERS' EQUITY

	2000	1999
Units outstanding, beginning of year	121,815	76,359
Units issued	19,940	1,751
Unit options exercised	103	325
Units repurchased and cancelled	(85)	(141)
Acquisition of RealFund assets *(Note 3)*	–	43,521
Units outstanding, end of year	141,773	121,815

On January 5, 2000, the Trust issued 1,125,000 units at $9.65 per unit as partial consideration for the acquisition of a portfolio of four income properties. On March 1, 2000, the Trust issued 3,082,973 units at $9.05 per unit as partial consideration for an equity investment in a real estate property.

On February 28, 2000, the Trust issued 3,125,000 units at $8.00 per unit for cash consideration of $25,000,000. On October 3, 2000, the Trust issued 8,050,000 units at $9.05 per unit for cash consideration of $72,852,500. On November 30, 2000, the Trust issued 3,125,000 units at $8.50 per unit for cash consideration of $26,562,500.

On June 1, 1999, the Trust issued 829,082 units at $9.80 per unit as partial consideration for the acquisition of an income property.

During the year, 1,432,045 (1999 – 922,035) units were issued under the Trust's distribution reinvestment and direct purchase plans for total cash consideration of $12,140,989 (1999 – $8,460,558).

During the year, 103,000 (1999 – 325,200) units were issued under the Trust's trustee and employee unit option plan for total cash consideration of $559,875 (1999 – $1,836,425).

During the year, 84,500 (1999 – 140,900) units were cancelled under a normal course issuer bid for total cash consideration of $670,884 (1999 – $1,258,785).

13. INCENTIVE UNIT OPTION PLAN

The Trust may grant options to its employees and trustees for up to 7,350,000 units. The exercise price of each option equals the market price of the Trust's units on the date of grant and an option's maximum term is ten years. The options vest at 20% per year from the grant date, being fully vested after four years.

A summary of the status of the Plan as at December 31, 2000 and 1999, and changes during the years ending on those dates is as follows:

	2000		1999	
Options	**Units**	**Weighted Average Exercise Price ($)**	Units	Weighted Average Exercise Price ($)
Outstanding, beginning of year	**4,301**	**9.24**	2,821	8.71
Granted	**1,220**	**8.69**	1,830	9.42
Exercised	**(103)**	**5.44**	(325)	5.65
Forfeited	**(15)**	**9.45**	(25)	9.59
Outstanding, end of year	**5,403**	**9.18**	4,301	9.24
Options exercisable at year end	**2,714**	**9.07**	1,720	8.80

The following unit option grants to employees and trustees were outstanding at the end of the year:

Exercise Price ($)	Options Outstanding	Options Vested	Expiry Date
4.8750	92	92	July 19, 2005
5.5625	16	16	November 30, 2005
5.8750	20	20	February 19, 2006
6.2500	175	175	May 30, 2006
8.4750	600	480	January 17, 2007
9.6250	405	324	June 2, 2007
10.6000	600	360	January 12, 2008
10.5000	465	279	May 25, 2008
9.3500	600	240	January 4, 2009
9.4500	1,200	480	May 31, 2009
9.5000	10	4	June 1, 2009
8.5000	500	100	January 7, 2010
8.8000	560	112	June 1, 2010
8.9000	160	32	October 4, 2010

On January 4, 2001, options to acquire 500,000 units of the Trust at a price of $9.25 were granted. The options expire January 4, 2011.

14. INVESTMENT IN CO-OWNERSHIPS

The Trust's share of the assets, liabilities and earnings from co-ownership activities is summarized as follows:

	2000	1999
Assets	$ **263,188**	$ 294,316
Liabilities	**143,744**	154,746
Revenue	**36,837**	27,595
Expenses	**24,032**	17,869
Net earnings	**12,805**	9,918
Cash flows provided by operating activities	$ **9,670**	$ 13,955
Cash flows (used in) provided by financing activities	**(4,787)**	10,372
Cash flows used by investing activities	**(3,223)**	(22,569)

Generally, the Trust is only liable for its proportionate share of the obligations of the co-ownerships in which it participates, except in certain cases. However, against any contingent liabilities in excess of its pro rata share, the Trust would have a claim upon the assets of the other co-owners. The value of the assets of each of these co-ownerships exceeds the related liabilities.

15. INCOME TAXES

The Trust intends to distribute its income for tax purposes in each year to such an extent that it will not be liable for income tax under Part I of the Income Tax Act. Therefore, no provision for income taxes is required.

The Trust regularly distributes to unitholders an amount equal to 90% or more of the income and capital gains of the Trust (excluding certain items including amounts for amortization of buildings and provision for diminution in valuation of income properties).

At December 31, 2000, the net difference between tax bases and the reported amounts of the Trust's assets and liabilities is $153,639,000 (1999 – $101,297,000).

16. FINANCIAL INSTRUMENTS

	2000		1999	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Mortgages payable	**$ 858,482**	**$ 865,687**	$ 754,321	$ 736,575
Debentures payable	**300,000**	**284,255**	300,000	277,645

17. SEGMENTED DISCLOSURES

Substantially all of the Trust's assets are in, and its revenue is derived from, the Canadian retail real estate industry segment.

No single tenant accounted for 10% or more of the Trust's rental revenue.

18. COMMITMENTS

(a) Lease commitments

The Trust is committed under long term operating leases with various expiry dates to 2023. Minimum annual rentals for the next five years are as follows:

2001	$ 1,094
2002	1,064
2003	739
2004	797
2005	872

(b) Future income properties purchases

(i) During 1997, the Trust completed the acquisition of a 50% interest in seven shopping centres and a 25% interest in two additional shopping centres for a total purchase price of $47 million. The centres collectively have approximately 1,155,000 square feet of leasable area.

On January 23, 2001, the Trust exercised its option to acquire the remaining 50% interests in seven shopping centres and an additional 25% interest in two shopping centres with the purchase to be completed in 2002. The price is to be calculated by valuing the properties at a predetermined multiple of their net operating income during the calendar year preceding the purchase.

(ii) During 1999, the Trust acquired a 50% interest in a 247,000 square foot urban retail and entertainment complex (known as "Festival Hall"). The Trust will acquire a further interest representing up to, but not exceeding, an additional 40% interest in this centre on October 13, 2004.

The additional purchase price is to be calculated by valuing the property at a predetermined multiple of its net operating income on October 13, 2004, plus a predetermined amount for any rentable area vacant at that date.

(iii)During 2000, the Trust entered into an agreement to purchase the land component of an existing income property that is currently subject to a ground lease that expires in 2002. The purchase price is $8 million and is to be completed in 2002.

The total purchase prices related to the above obligations are estimated to be as follows:

2002	$ 55,000
2004	25,000

(c) Guarantees

The Trust has guaranteed the mortgage indebtedness of third parties in the amount of $124,380,000 which expire between 2001 and 2020. The value of the assets securing these mortgages is sufficient to cover the guarantees provided.

19. SUBSEQUENT EVENT

The Trust has entered into an agreement to acquire a shopping centre at a cost of $31.3 million. The shopping centre contains 285,000 square feet of leasable area and is located in Ontario. Satisfaction of the purchase price will be by the assumption of $23.9 million in existing mortgage debt and cash consideration of $7.4 million.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

The Toronto Stock Exchange Committee on Corporate Governance in Canada has developed a series of Guidelines for effective corporate governance. With reference to these Guidelines, the Trust is pleased to make this annual disclosure regarding its governance practices.

BOARD COMPOSITION AND RESPONSIBILITIES

The Board of Trustees of the Trust currently consists of eight members. While there are no specific criteria for Board membership, the Trust attempts to attract and maintain Trustees with a wealth of business knowledge and a particular knowledge of retail real estate markets.

Both the Chair of the Board and the majority of members of the Board are unrelated to the Trust. The Board believes that a majority of independent Trustees promotes effective decision making and provides an objective perspective to the management of the Trust.

The Board is responsible for the ongoing strategic direction of the Trust. Decisions regarding the ongoing day-to-day management of the real estate portfolio are made by management of the Trust.

BOARD COMMITTEES

The Board of Trustees has four committees: the Audit Committee, the Human Resources and Compensation Committee, the Governance Committee and the Investment Committee. Each committee has a mandate outlining its responsibilities and its obligations to report recommendations to the full Board. In accordance with the Guidelines, the Audit Committee, the Human Resources and Compensation Committee and the Governance Committee are composed exclusively of "outside" and "unrelated" Board members.

The Audit Committee is responsible for the integrity of the Trust's internal control systems, reviews the financial statements of the Trust and makes its recommendations to the Board before such financial statements are approved by the Board. The Audit Committee communicates directly with the Trust's external auditors to discuss and review various audit and related issues as appropriate.

The Human Resources and Compensation Committee is charged with the responsibility of reviewing and making recommendations to the Board regarding compensation of the members of the Board and the Trust's management. The Human Resources and Compensation Committee is further charged with the responsibility for senior management succession planning.

The Governance Committee is responsible for ensuring effective corporate governance. It is responsible for proposing new nominees to the Board, the assessment of Trustees on an ongoing basis and assessing the effectiveness of the Board as a whole and its committees.

The Investment Committee is charged with the responsibility of evaluating and deciding upon acquisitions and dispositions for the Trust.

SENIOR MANAGEMENT OF RIOCAN REAL ESTATE INVESTMENT TRUST

Edward Sonshine, Q.C.
President & Chief Executive Officer

Frederic A. Waks
Senior Vice President & Chief Operating Officer

Robert Wolf
Vice President & Chief Financial Officer

Donald R. MacKinnon
Vice President, Real Estate Finance

Katy Ritcey
Vice President, Investments

Jeff Ross
Vice President, Leasing

Danny Kissoon
Vice President, Operations

BOARD OF TRUSTEES

Paul Godfrey[1,2,3]
(Chairman of Board of Trustees)
President & Chief Executive Officer,
Toronto Blue Jays Baseball Club

Clare R. Copeland[2]
Chairman & Chief Executive Officer, OSF Inc.

Raymond Gelgoot[3,4]
Senior Partner, Fogler, Rubinoff

Frank W. King[1]
President, Metropolitan Investment Corporation

Allan Silber[1]
Chairman & Chief Executive Officer,
Counsel Corporation

Edward Sonshine, Q.C.[4]
President & Chief Executive Officer,
RioCan Real Estate Investment Trust

Michael Stephenson[2]
Principal, Stephenson, Rosebush, Leftwick & Grant

Sharon Sallows[3,4]
Partner, Ryegate Properties Corporation

1 Member of the Audit Committee
2 Member of the Human Resources & Compensation Committee
3 Member of the Governance Committee
4 Member of the Investment Committee

HEAD OFFICE

RioCan Real Estate Investment Trust

The Exchange Tower, Suite 700,
P.O. Box 378, 130 King Street West,
Toronto, Ontario M5X 1E2
Tel: 416-866-3033 or 1-800-465-2733
Fax: 416-866-3020
Website: www.riocan.com
E-mail: inquiries@riocan.com

UNITHOLDER & INVESTOR CONTACTS

Robert Wolf
Vice President & Chief Financial Officer
Tel: 416-866-3198
E-mail: rwolf@riocan.com

Maggie Sagadore
Investor Relations Administrator
Tel: 416-866-3022
E-mail: msagadore@riocan.com

AUDITORS

Soberman, Isenbaum & Colomby LLP

TRANSFER AGENT & REGISTRAR

CIBC Mellon Trust Company

P.O. Box 7010, Adelaide Street Postal Station,
Toronto, Ontario M5C 2W9
Answerline at 1-800-387-0825 or 416-643-5500
Fax: 416-643-5501
Website: www.cibcmellon.ca
E-mail: inquiries@cibcmellon.ca

UNIT LISTING

The units are listed on The Toronto Stock Exchange under the symbol REI.UN.

ANNUAL MEETING

The 2000 annual unitholders' meeting of RioCan REIT will be held on May 31, 2001 at 8:30 a.m. at the Glenn Gould Studio, 250 Front Street West, Toronto, Ontario. All unitholders are invited and encouraged to attend.

Designed and Produced by SUTTON JAVELIN Communications Printed in Canada

RioCan Real Estate Investment Trust The Exchange Tower, Suite 700, P.O. Box 378, 130 King Street West, Toronto, Ontario M5X 1E2

RIO CAN